

EXHIBIT A ADDENDUM

Board of Investment Trustees
Montgomery County Employees' Retirement System

STATEMENT OF INVESTMENT POLICY FOR INTERNATIONAL INVESTING (ADDENDUM TO BOARD'S STATEMENT OF INVESTMENT POLICY)

INVESTMENT OBJECTIVES

The investment objective of the international securities portfolio of the ERS is to achieve long-term capital appreciation and current income by investing primarily in diversified portfolios of non-U.S. equities. The portfolio will be a discretionary portfolio intended to provide diversification to the Board's U.S. investments through investment in foreign markets and will necessitate exposure to the underlying currencies of the relevant countries.

While focusing on maximizing returns, the investment program pursued by the Board will at all times limit risk, both in terms of market and currency exposure, to acceptable levels both within the international securities portfolio and within the diversified ERS as a whole. Although the international portfolio is not restrained by liquidity needs of the ERS, the portfolio will maintain exposure only to liquid foreign markets and investments to minimize risk.

The performance of the international securities portfolio will be measured in comparison with return calculated on industry-recognized market indices, e.g MSCI All-Country World Index, ex. U.S. and other relevant indices representing returns achieved by comparable investment portfolios and programs. The Board recognizes that the performance of the international securities portfolio may experience greater volatility than a similar portfolio invested in the U.S. market.

The process by which these objectives are to be achieved will be established by investment guidelines set by the Board from time to time and will be well-researched and sensitive to market conditions. In addition to such guidelines, the Board will establish constraints at the policy level, delineated below, to ensure prudent management of the investments. The primary focus of these constraints and guidelines is to ensure compliance with all statutory constraints on the Board's investment program, as well as to establish proper risk-controls.

INVESTMENT OVERSIGHT

Asset Allocation Policy – The Board will establish an asset allocation policy limit from time to time based on analysis of the ERS' liability structure and expected market conditions over a five- to ten-year horizon. These policy levels will be designated in writing and will include acceptable ranges of exposure for primary asset classes.

1. Rebalancing Program - The Board will establish a rebalancing policy that will monitor the asset class levels of the fund. This policy will be in writing and the rebalancing will become effective once a specified threshold level has been achieved. The Board will direct the staff/manager to execute the rebalancing of assets within a reasonable time frame.

2. Authorized Investment Managers - By County statute, all funds in the international securities portfolio must be managed by external investment managers who serve at the pleasure of the Board. These managers have full discretion over acquisitions and dispositions of investments, and must adhere to guidelines set forth by the Board from time to time.

3. Authorized Investments

a. Permitted countries - The fund may invest in all countries included in the MSCI All-Country World Index, ex. U.S. or any other index deemed appropriate by the Board. In addition, the Board has established that up to 5% of the total international securities portfolio, at the time of purchase, may be invested in the countries that may not be included in the index.

b. Security types - Investments are limited to marketable securities, listed or to be listed, on a national or regional stock exchange, or traded on the over-the-counter market of permitted countries provided that they are deemed marketable in the amount purchased. Investments may include, but are not limited to, the following:

1. Common and preferred stock, and warrants
2. ADR's, and participation certificates
3. Country funds, and other open- and closed-end commingled stock funds
4. Convertible securities
5. Derivative securities
6. Short- and long-term, high-grade obligations of foreign governments and agencies, banks, and corporations, and commingled funds of the same type instruments.
7. Commingled real estate funds
8. Currencies.

4. Investment Restrictions

a. Position limits - The following limits have been established by the Board and are set to ensure diversification and minimize risk:

1. The international portfolio must maintain exposure to at least five countries each with an allocation within reasonable limits established by Board guidelines from time to time based on market conditions.
2. No security of any one issuer, with the exception of governments and agencies, or positions in a closed-end fund should exceed 5% of the total international portfolio at the time of purchase.
3. Eligible companies for investment should have a market capitalization equivalent to at least U.S. \$50 million.

b. Derivative securities -The Board's policy on derivative securities is attached as Exhibit D of the investment agreement.

5. Currency Management - Since the intent of the portfolio is to invest in non-U.S. equities as opposed to speculating in currencies, currency hedging is permitted for defensive purposes only. The Board recognizes that hedging currencies will diminish diversification benefits of international investing and is not expected to add value over the long-term, but may be appropriate for strategic management during shorter-term periods when exchange rates fall outside their normal boundaries.

6. Indicia of Ownership - By County statute, the indicia of ownership of the assets must be maintained within the jurisdiction of U.S. district courts except as permitted by County regulation consistent with federal regulations. The relevant federal regulation permits indicia of ownership to be maintained by a foreign securities depository or bank which is supervised by an authorized foreign government agency or regulatory authority, so long as the depository or bank recognizes the ERS's ownership of the assets, and the bank is liable to the ERS in the same manner as is a U.S. bank.

Adopted: June 4, 1999 (RES: 99-06-03)